



Memorandum

TO: HONORABLE MAYOR AND CITY
COUNCIL

FROM: Richard Doyle
City Attorney

SUBJECT: CITY ATTORNEY'S OFFICE
BUDGET REDUCTION PLAN

DATE: May 20, 2008

RECOMMENDATION

Approve the City Attorney's Office 2008-09 Budget Reduction Plan outlined in this memorandum.

BACKGROUND

The Mayor and City Council as part of the Mayor's March Budget Message directed the City Attorney's Office to reduce its 2008-09 general fund budget by 6%, the recommended average percentage reduction for non-public safety city service areas. The Office's initial proposed budget reduction plan, which focused on maintaining the current level of legal services, met the 6% reduction target but was not accepted because it did not meet the target with 83% ongoing reductions.

The Office subsequently submitted a revised budget reduction plan that was included in the 2008-2009 Proposed Operating Budget. The revised plan eliminates four positions (three filled attorney positions) and significantly reduces legal services for the Workers' Compensation Program.

As discussed at the Budget hearing, the City Attorney's Office is now proposing an alternate budget reduction plan that will meet the 6% reduction and, at the same time, allow the Office to maintain the present level of legal services provided to the entire organization through 2008-09.

ANALYSIS

The City Attorney's Office cannot meet the 83% ongoing reduction target without reducing service delivery. This target requires the elimination of key attorney positions, leaving the Office without adequate resources to sustain the current level and quality of legal services.

Options for general fund budget reductions are extremely limited, as over 93% of the Office budget is appropriated to personal services, and the non-personal budget has already been reduced by 22% over the past two years.

ANALYSIS (CONT'D.)

This is the seventh consecutive year that the City is faced with addressing a budget deficit. Each year, the City Attorney's Office has met the budget reduction target and attempted to absorb the ongoing workload, while implementing a series of cost-saving actions that have cumulatively reduced Office resources to minimum levels. The number of staff has decreased 10% since 2001-2002, dropping from 104.62 to 94.62 authorized positions in 2007-2008. As it is, the City Attorney's Office has the fewest number of attorneys per capita when compared to city attorney offices in all of the large California cities. In addition, the Office's outside counsel costs are significantly lower than the other large cities.

Preparing a reduction plan without impact on service delivery is impossible, as it is expected that the demand for legal services will not diminish next year. In fact, it has been the Office's experience during this prolonged economic downturn that the legal services demand has increased in many areas, particularly legal work related to Public Records Act requests, and Reed and Sunshine Reforms, including proposed reforms to campaign, election, lobbyist and conflict of interest ordinances. Currently, significant resources are dedicated to addressing the disruption in the bond market. Legal support for the Green Vision, Small Wonders, and economic development initiatives will further increase the Office workload in the upcoming year.

The litigation workload, which cannot be adjusted, has also risen considerably with an increased number of trials this year and the recent enactment of federal court rules on electronic discovery. Significant resources are dedicated to the identification, collection, processing, review, analysis and production of electronic data. Electronic discovery demands will continue to expand as the State courts are expected to soon adopt rules similar to the federal courts. The Office has had 18 cases set for trial thus far in 2008.

The City has a \$2.7 billion proposed budget for 2008-2009. Legal services are essential to assist the City to manage risks and protect assets. If the Office does not have the resources to provide comprehensive legal services to the entire organization, it will be necessary for the City to hire outside counsel for legal services no longer provided by the City Attorney's Office.

The reality is that hiring outside counsel will be more costly for the City than to keep legal work in-house. For example, the estimated annual cost to hire outside counsel for the Workers' Compensation Program is \$1.48 million, compared to the in-house personal services cost of \$805,073. In addition to the higher costs, outside counsel will not have the "big picture" perspective on citywide issues, policies, and procedures that are important for the City, and necessary to providing consistent and comprehensive legal services.

REDUCTION PLAN

The following proposed reduction plan meets the 6% reduction target, but not the 83% ongoing target. The attorneys in the positions recommended for a hiring freeze carried full workloads up to the time of the incumbents' recent retirements. Attorneys have accepted additional

REDUCTION PLAN (CONT'D)

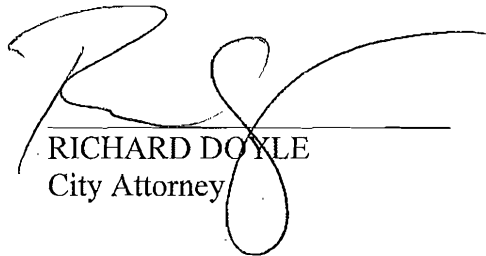
assignments to temporarily cover the workload; however, it is important to fill these critical positions as soon as possible.

Title	2008-09 General Fund	Subtotals
Eliminate Legal Admin Asst II, #15490 (vacant 1/07)	\$ 86,847	\$ 86,847
Eliminate Research Attorney, #7996 (vacant 1/18/08)	\$ 59,202	\$146,049
One-Time Freeze- Sr. Dep City Atty, #5669 (vacant 3/31/08)	\$232,777	\$378,826
One-Time Freeze – Chief Dep City Atty, #6675 (vacant 3/24/08)	\$257,209	\$635,035
One-Time Reduction to Non-Personal/Equipment	\$ 13,167	\$649,202

CONCLUSION

Approval of the reduction plan proposed in this memo meets the Mayor's 6% reduction target, enables the Office to continue to provide full support for the Workers' Compensation Program, avoids employee layoffs, and is more cost-effective for the City as it reduces the need to hire outside counsel.

During the next year, the Office will continue to work on streamlining processes and enhancing the use of technology to improve operational efficiencies. In addition, the Office will evaluate the workload to identify areas where legal services can be modified. The City Attorney's Office remains committed to providing excellent legal services in a timely manner, and looks forward to discussions with the Mayor, City Council and client departments to best serve the needs of the organization and the community.



RICHARD DOYLE
City Attorney